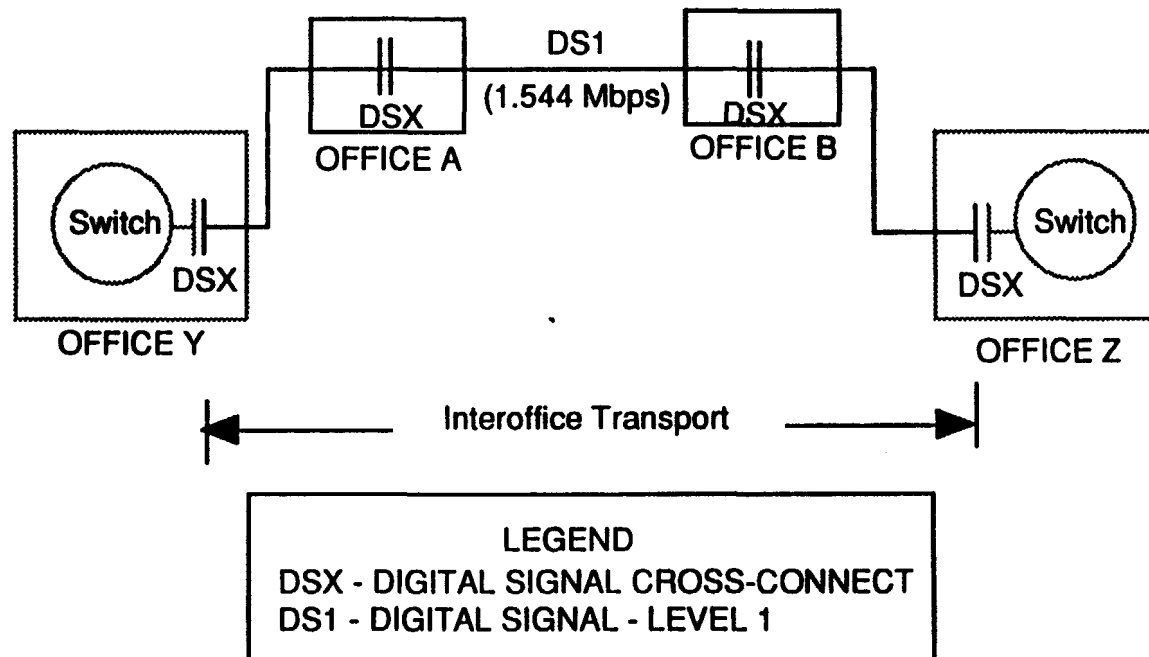


Interoffice Transport Network Element

- Unbundled from Switching or other services
- Discrete facility or equipment
- Used in the provision of Telecommunications service
- Accessible by the requesting Telecommunication Carrier

Unbundled Interoffice Transport



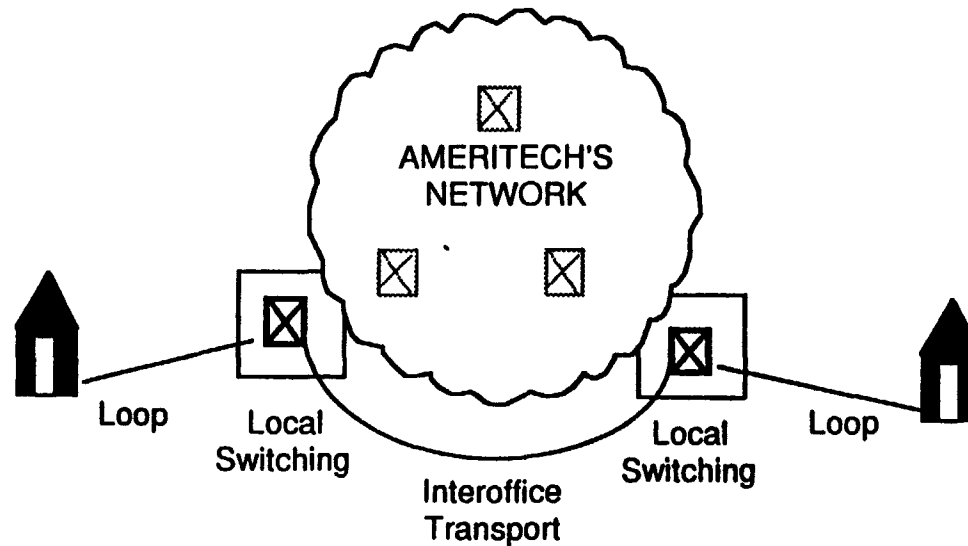
Interoffice Transport Billing Options

- Dedicated - A Discrete Network Element Used Exclusively by a single Carrier and Billed to that Carrier
- Shared - A Discrete Network Element Jointly Used by Two or More Carriers. Bill Prorated as Directed by Sharers

Attributes of the Interoffice Transport Network Element

- May be combined with other network Elements
- Provided between two Ameritech Offices, an Ameritech Office and an TC's Office, or between two TCs' Offices
- Standard Offerings DS1, DS3, OC-3, OC-12, OC-48
- Other types available upon request

Network Elements versus Ameritech's Network Services



Summary

- **SHARED TRANSPORT IS DIFFERENT THAN COMMON TRANSPORT**
 - » **SHARED TRANSPORT IS A NETWORK ELEMENT**
 - Consistent with 96-98 Order (paragraphs 439-443)
 - Consistent with Network Element pricing in Section 252
 - Provides new entrants with alternatives for transporting traffic between offices.

Summary (Cont.)

- » COMMON TRANSPORT IS PART OF SWITCHED ACCESS SERVICE OR RESOLD LOCAL SERVICE AND IS NOT A NETWORK ELEMENT
 - Not a required unbundled element as part of "interoffice facilities" in 96-98 Order.
 - Not "unbundable" like other network elements by the common nature of the network.
 - Available to new entrants as access service or local resold service.
 - New entrants can submit a bona fide request to recombine Network Elements to create common transport if they desire.

Summary (Cont.)

- IF SHARED TRANSPORT EQUALS COMMON TRANSPORT IT WOULD UNDERMINE EXISTING ACCESS, TOLL AND LOCAL USAGE RATES
 - » Evaluate any change in common transport pricing in conjunction with Access Reform.
 - » Repricing at TLRIC rates has significant impact.
 - » Impacts state jurisdiction--toll and usage.
 - » Reforms access through the back door.
 - » Impacts small LECs as part of the common network.

Summary (Cont.)

- STATES RECOGNIZE AMBIGUITY OF 96-98 ORDER AND HAVE NOT GENERALLY EQUATED SHARED TRANSPORT WITH COMMON TRANSPORT.
 - » MCI/Ameritech arbitration decision in Illinois
 - » Pending MCI/Ameritech arbitration decision in Ohio

Illinois MCI/Ameritech Arbitration Decision (12/17/96)

- Page 28: "We conclude that there is considerable ambiguity in the FCC's reference to 'shared transport'...we are unwilling to conclude that the FCC thereby intended to preclude the provision of 'common transport' as an unbundled network element. It is possible that the FCC did not use the term common transport because it did not want to create confusion with what interexchange carriers use for access...To the extent MCI requests access to 'common transport' as an unbundled network element, it should do so through the bona fide request process."

OHIO MCI/AMERITECH ARBITRATION PANEL DECISION (PENDING)

- Page 10: "MCI defines 'common transport as an interoffice transmission path between Ameritech network elements shared by carriers. MCI also considers shared and common transport to be synonymous. The panel sees no need to require Ameritech to offer common transport as defined by MCI. Therefore, we recommend that the Commission reject MCI's proposal, as well as MCI's proposal to set rates for common transport."

Part 69 Section 51.319 (d)

Interoffice Transmission Facilities

- (1) Interoffice transmission facilities are defined as incumbent LEC transmission facilities dedicated to a particular customer or carrier, or shared by more than one customer or carrier, that provide telecommunications between wire centers owned by incumbent LECs or requesting telecommunications carriers, or between switches owned by incumbent LECs or requesting telecommunications carriers.

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

1440 NEW YORK AVENUE, N.W.

WASHINGTON, D.C. 20005-2111

FAX (202) 393-5760

(202) 371-7000

FILE COPY

FIRM AFFILIATE OFFICES

BOSTON
CHICAGO
HOUSTON
LOS ANGELES
NEWARK
NEW YORK
SAN FRANCISCO
WILMINGTON

BEIJING
BRUSSELS
FRANKFURT
HONG KONG
LONDON
MOSCOW
PARIS
PRAGUE
SINGAPORE
SYDNEY
TOKYO
TORONTO

January 24, 1997

BY HAND DELIVERY

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

RECEIVED
JAN 24 1997
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Re: Ameritech
Dkt. No. 96-98
Notice of Ex Parte Presentation

Dear Mr. Caton:

Pursuant to Section 1.1206 of the Commission's rules, Ameritech Corporation ("Ameritech") hereby submits this notice of an oral ex parte presentation in the above-referenced proceeding. On January 16, 1997, representatives of Ameritech met with a Commission representative to discuss the classification of common transport as a network element. Ameritech was represented by Lawrence Strickling of Ameritech and Antoinette Cook Bush of Skadden, Arps, Slate, Meagher & Flom LLP. The Commission was represented by Gregory Rosston of the Office of Plans and Policy.

Copies of this Notice of Ex Parte Presentation have been provided to the above-referenced Commission representatives, as required by Section 1.1206(a)(2) of the Commission's rules. An original and one copy has been submitted to the Secretary's office.

Respectfully submitted,

Antoinette Cook Bush/CAB
Antoinette Cook Bush
Counsel for Ameritech

cc: Gregory Rosston
Lawrence Strickling

1401 H Street, N.W.
Suite 1020
Washington, D.C. 20005
Office 202/326-3815

James K. Smith
Director
Federal Relations

Ameritech

February 3, 1997

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, DC 20554

RECEIVED

FEB 3 - 1997

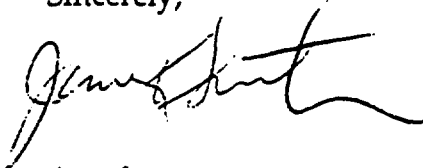
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Re: **Ex Parte Statement**
CC Docket 96-98 and Docket 97-1

Dear Mr. Caton:

On February 3, 1997, Mr. John Lenahan, Mr. Terry Appenzeller, Ms. Lynn Starr and I met with Mr. Richard Metzger, Deputy Bureau Chief, Common Carrier Bureau and staff of the Program Division and Competitive Pricing Division to discuss Ameritech's position as set forth in the attachments hereto.

Sincerely,



Attachment
cc: R. Metzger

"COMMON TRANSPORT" IS NOT UNBUNDLED INTEROFFICE TRANSMISSION FACILITIES

AT&T contends that "shared transport is synonymous with common transport." AT&T, within the past month has used the following terms to describe unbundled interoffice transmission: "shared transport," "common transport," "shared/common transport," "shared (i.e., common) transport" and "switched transport service in Ameritech FCC Tariff No. 2, Section 6.1.3 and 6.9.1" AT&T also contends, in connection with its Michigan arbitration, that "Ameritech now takes the position that shared transport is different from common transport (a point not identified by Ameritech during the hearings in this case)." AT&T's claims are untimely and erroneous and its position regarding common transport has no support in the Act, the FCC's Regulations, or the First Report and Order in Docket 96-98.

- The definition of Network Element requires access to a particular facility or equipment. The Act defines "network element" as "a facility or equipment" used to provide a telecommunications service. A network element also includes features, functions, and capabilities that are provided by "such facility or equipment..." Therefore, in order to obtain a "feature, function or capability," --as a network element,-- the requesting carrier must designate a discrete facility or equipment, in advance, for a period of time.
- A network element includes features, functions and capabilities provided by such element. Ameritech agrees that network elements should be broadly constructed to include all features, functions and capabilities provided "by such facility." See First Report and Order at ¶ 262. However, the definition in the Act does not support an interpretation that a requesting carrier can purchase undifferentiated access to network capabilities, without purchasing access to a particular facility or equipment used to provide telecommunications service. Obtaining on-demand, undifferentiated use of the functions and capability of the public switched network is the purchase of a service, not access to a network element. Such an interpretation would eliminate any difference between access to a network element or purchase of a service.
- The FCC's First Report and Order in CC 96-98 recognizes the clear difference between "network elements" and "services." The Commission has correctly concluded that a network element is a "facility and not a service." First Report and Order at ¶ 343. The Commission noted: "when interexchange carriers purchase unbundled elements from incumbents, they are not purchasing exchange access "services." They are purchasing a different product, and that product is the right to exclusive access or use of an entire element." First Report and Order at ¶ 358. Likewise, in distinguishing between network elements and services, the Commission noted that a carrier purchasing access to network elements must pay for that facility, and faces a risk that it may not have sufficient demand for services "using that facility" to

recoup its costs. In contrast, a carrier using resold services does not face this risk. See First Report and Order at ¶ 334. (Emphasis added)

- AT&T's assertion that shared and common transport are synonymous has no legal basis. There is no mention of "common transport" in the FCC's Regulations or in the First Report and Order discussing "interoffice transmission facilities." See First Report and Order at ¶ 439-451, ¶ 820-823 and 47 C.F.R. § 51.319(d.). The Regulations require incumbent LECs to unbundle only two types of interoffice transmission facilities: dedicated and shared. 47 C.F.R. § 51.319(d)(1). Ameritech's contract and pricing schedule have consistently provided for both. The only use by the Commission of the word "common transport" is in ¶ 258 of the First Report and Order. However, there is no definition of "common transport," nor any discussion of "common transport" in any portion of the Order defining network elements. Presumably because the term "common transport," which is the same as tandem-switched transport, is commonly recognized as a service. See CompTel v. FCC 87 F.3d 522 at 524 (D.C. Cir., 1996)
- AT&T's position is contrary to the basic concept of unbundled network elements. Under AT&T's proposal, common transport would be billed on a per-minute-of-use basis (just like switched transport service). Unbundled facilities, however (such as loops and transport), are billed on a per facility/per month basis, which is consistent with the purchase of facility as opposed to a service. As the Commission found, the costs of shared facilities, including transmission facilities between the end office and the tandem, should be recovered in a manner that efficiently apportions cost amount users. First Report and Order at ¶ 755. Contrary to AT&T's after the fact challenge, its Interconnection Agreements with Ameritech uses flat capacity-based rates as permitted by the Commission. See First Report and Order at ¶ 757.
- AT&T is attempting to avoid its obligations and "game" the FCC's unbundled pricing regime. By attempting to purchase undifferentiated minutes of use on Ameritech's entire network, as opposed to a specific facility within the network, AT&T is attempting to obtain the competitive advantages of purchasing unbundled elements while avoiding the concomitant risk -- borne by all purchasers of unbundled elements -- that the leased facility will be underutilized. This is contrary to the FCC's intent. See First Report and Order at ¶ 334 ("If a carrier taking unbundled elements may have greater competitive opportunities than carriers offering services available for resale, they also face greater risks. A carrier purchasing unbundled elements must pay for the cost of that facility It thus faces the risk that end-user customers will not demand a sufficient number of services using that facility for the carrier to recoup its cost.")

- **AT&T relies on a tariff price that encompasses more than transport.** AT&T's proposed price for common transport is based on Ameritech's FCC Tariff No. 2 for Switched Transport Services. Those services, however, consist of multiple rate elements: a transmission facility charge, a switch termination charge, and a tandem switching charge. See FCC Tariff No. 2 § 6.9.1(A); see also 47 C.F.R. § 69.111. Thus, common transport, as defined by AT&T, is inextricably entwined with switching and cannot stand alone as unbundled interoffice transmission. In contrast, the Commission's definition of "shared transmission facilities between end offices and the tandem switch" does not include tandem switching. See First Report and Order at ¶ 440 and note 987. Even AT&T recently conceded this point: "Unbundling requires that charges for unbundled transport cannot include charges for switching." Letter from Bruce Cox to William Caton, dated January 28, 1997, Ex Parte Presentation--CC Docket 96-98 and CC Docket 97-1.
- **AT&T's reliance on the Switched Transport tariff directly conflicts with the § 271 checklist.** Item (v) of the competitive checklist states that local transport must be "unbundled from switching or other services." 47 U.S.C. § 271(c)(2)(B)(v) (emphasis added). The Commission's definition of unbundled interoffice transmission facilities is consistent with unbundled transport required by the competitive checklist. See ¶ 439 and note 986. Yet, as noted above, the Part 69 definition of Switched Transport (AT&T's common transport) explicitly includes switching as a bundled part of the service.
- **Ameritech has recognized the distinction between shared and common transport throughout this proceeding.** Ameritech made its position on the shared versus common transport issue clear to the FCC in the NPRM proceedings in Docket No. 96-98, proceedings in which AT&T was an active participant. Thus, AT&T has long been aware of Ameritech's position that shared and common transport are not synonymous and that common transport is not a network element that must be unbundled. See eg "Opposition of Ameritech to Petitions for Clarification and Reconsideration" dated October 31, 1996, at pp 6-11, and Reply Comments of Ameritech, dated November 12, 1996, at pp 18-19.
- **Ameritech's position on the meaning of "shared transport" was successfully resolved in Section 252 arbitrations with AT&T.** AT&T's description of Ameritech's position on "common transport" in state arbitration proceedings is incomplete and misleading. Specifically, Ameritech removed all references to "common transport" from its original proposed agreement before submitting its September 17, 1996 proposal (indeed, the change was highlighted in that "redlined" proposal), and common transport was not

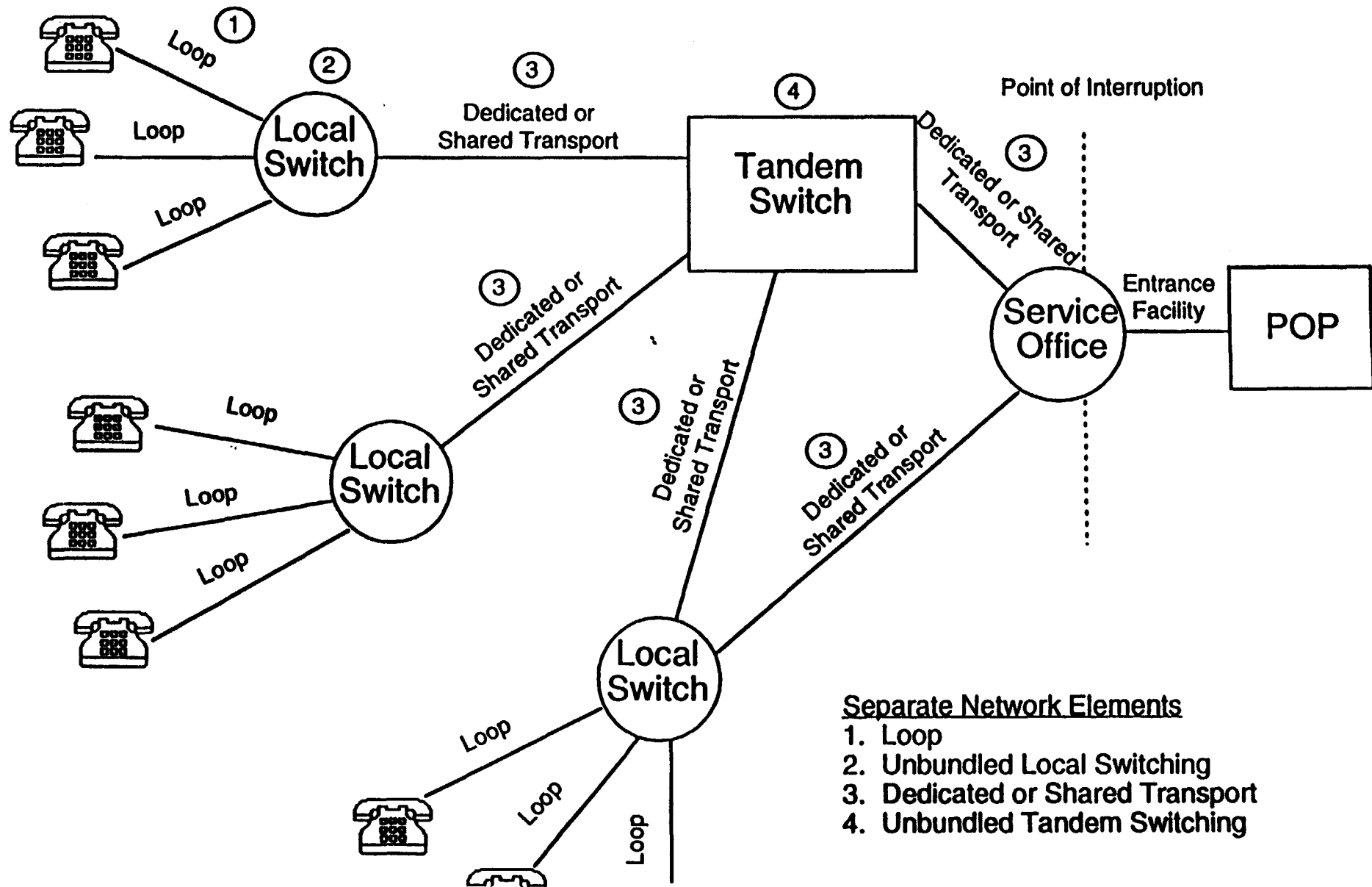
included in any subsequent contracts. Prices for interoffice transport in those contract proposals were based on Ameritech's definition of shared transport alone, not common transport. Further, Mr. Dunny removed the erroneous references to common transport from his direct testimony at the first opportunity in the Indiana and Illinois arbitrations, and his Ohio and Wisconsin testimony did not refer to common transport at all. Ameritech's inadvertent use of "common transport" in early versions of its proposed interconnection agreement is described in the attached letter dated January 31, 1997 from Ameritech to AT&T. It is clear from subsequent "red-lined" drafts, that AT&T adopted Ameritech's position on shared transport. See Interconnection Agreement, Schedule 9.2.4, paragraph 1.3.

- AT&T never raised the shared/common transport issue as a matter to be arbitrated by the MPSC (or by any other state commission). After the revisions to the original contract were made, AT&T accepted Ameritech's proposed language and prices for shared transport -- it did not contest Ameritech's proposed definition in the October 21, 1996 joint redline contract -- and those provisions were included in the contract approved by the MPSC. (AT&T's letter admits that shared transport pricing was not an issue on which the MPSC ordered further negotiations in its November 26, 1996 order.) Moreover, other commissions have agreed with Ameritech that common transport does not constitute an interoffice transmission facility that must be unbundled. MCI raised the same shared/common transport issue in its Illinois arbitration with Ameritech. The Hearing Examiner's Proposed Arbitration Decision agreed with Ameritech that "common transport" was not a network element. However, because the Illinois Commerce Commission concluded there is "considerable ambiguity in the FCC's reference to "shared transport", it refused to require immediate unbundling of common transport or to find that it qualified as a network element.
- AT&T, and any other carrier, can combine unbundled local switching with "common transport" service. Although not required by the First Report and Order, (see ¶ 341) Ameritech has agreed to combine unbundled network elements with transport services, including tandem-switched access, ie, common transport, or wholesale usage and toll. Despite the hyperbole from AT&T and Comptel, Ameritech is not requiring carriers that purchase unbundled loops and unbundled local switching to use a separately engineered, parallel interoffice network, nor is Ameritech denying them use of the public switched network. As Ameritech's letter dated January 14, 1997, attached to AT&T's January 28, 1997 Ex Parte, demonstrates, Ameritech permits a requesting carrier -- as an option to dedicated or shared interoffice transmission facilities -- to have traffic originating from unbundled local switching terminated over the public switched network through a common trunk port and the purchase of tandem-switched access or wholesale toll or usage, as applicable. As the Commission has noted, the decision to use either

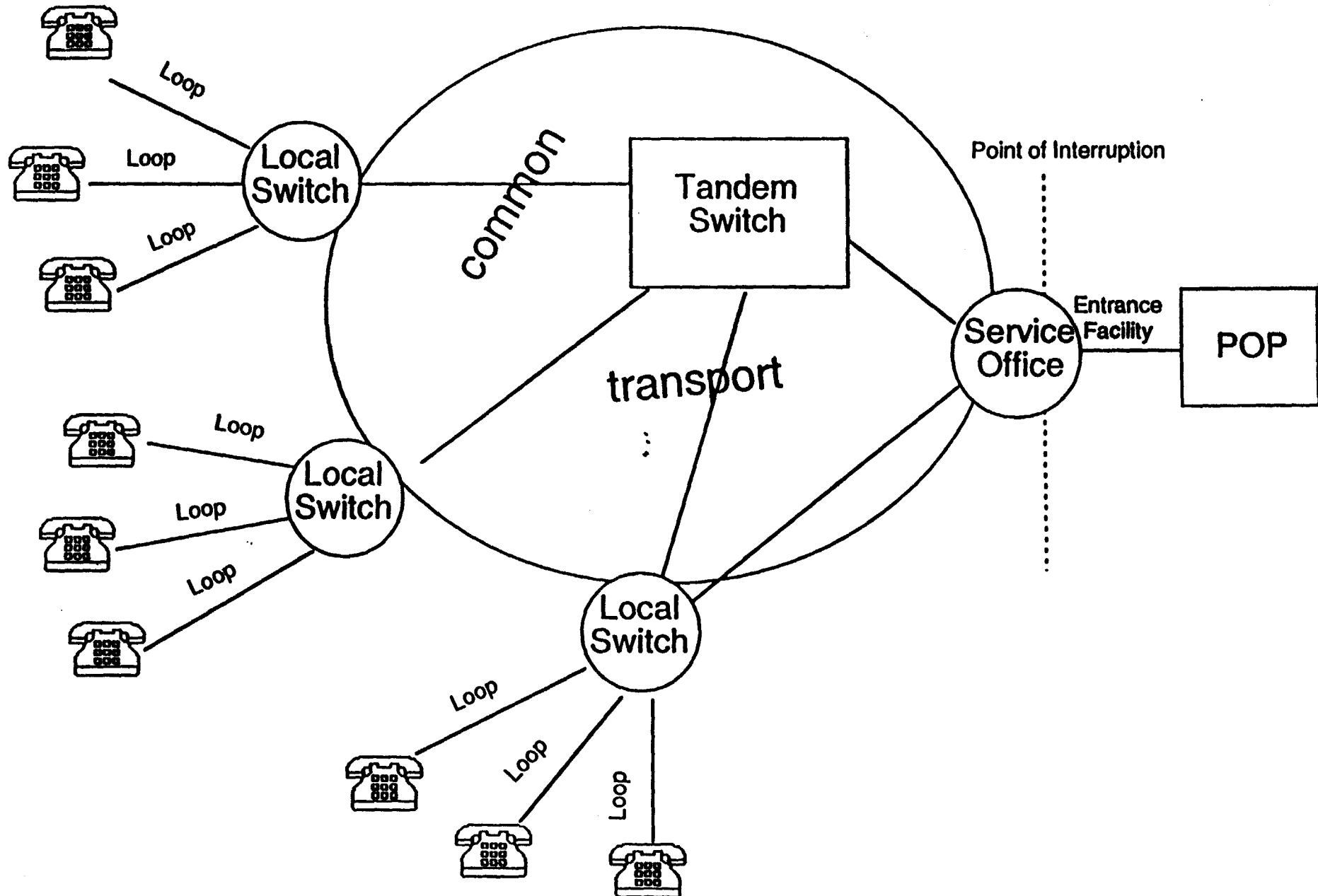
network elements or services is a business decision for the requesting carrier; based in part on its judgment of whether it will be able "to stimulate sufficient demand to recoup their investment in unbundled elements." First Report and Order at ¶ 334.

In sum, AT&T has no factual or legal basis for claiming that common transport somehow is synonymous with shared transport or constitutes a network element that must be unbundled. Ameritech's Interconnection Agreements with AT&T, on the other hand, fully complies with the FCC's Regulations and the First Report and Order.

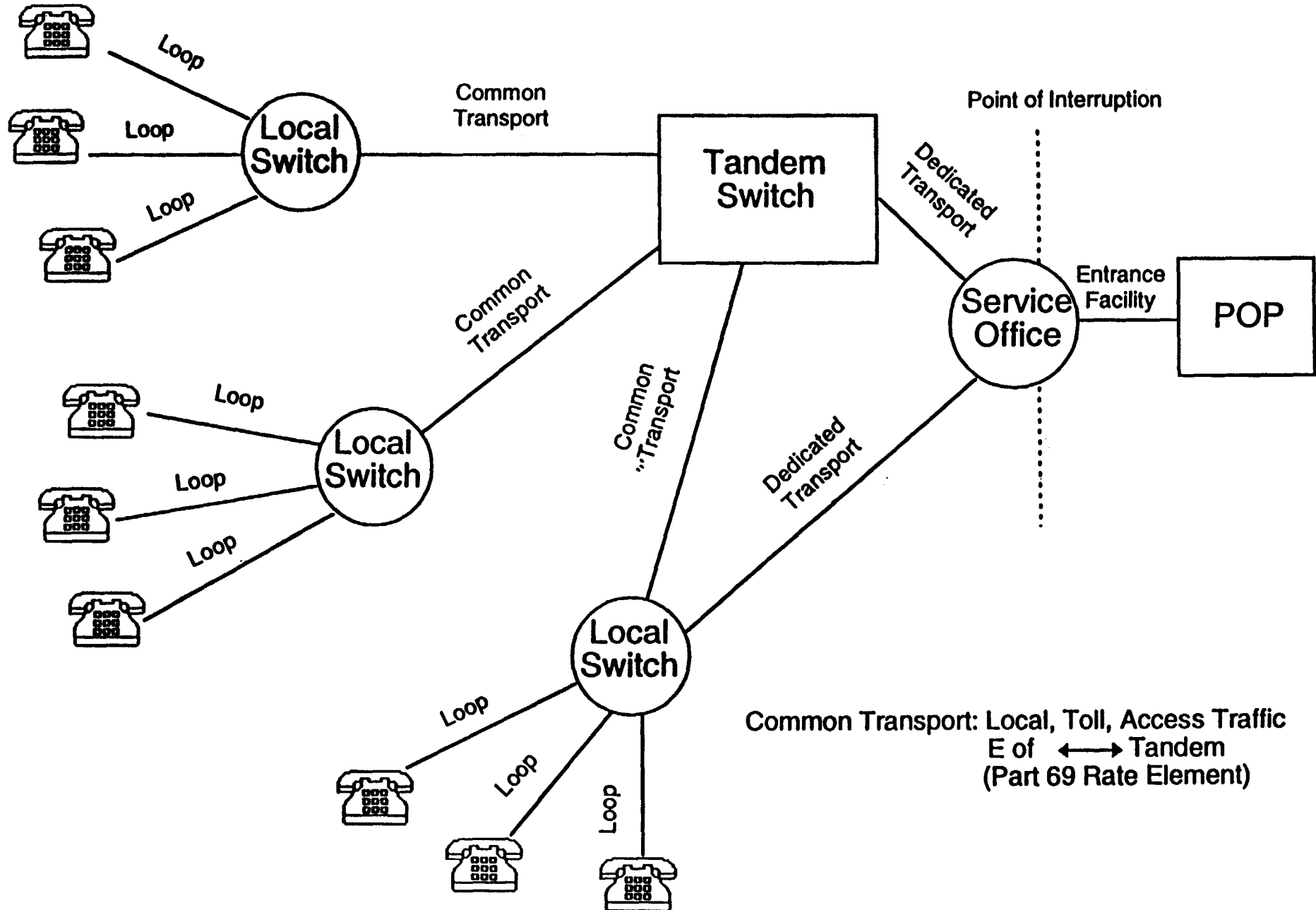
Ameritech's Unbundled Elements



IXC's Proposed "Common Transport"



Switched Access





-- Information Industry Services
350 North Orleans
Floor 3
Chicago, IL 60654
Office 312 335-5555
Fax 312 335-2527

Bonnie Hemphill
Account Director

January 31, 1997

Ed Cardella
AT&T
227 West Monroe Street
Chicago, Illinois 60606

Dear Ed:

This supplements my letter to you dated January 14, 1997 and responds to your letter of January 16, 1997 both of which address the provision of shared transport in conjunction with the operator services/directory assistance platform under the interconnection agreements in Illinois and Michigan. Your letter claims that the joint interconnection agreements require that Ameritech provide "common transport" as a network element in conjunction with the operator services/directory assistance platform ("OS/DA platform"). Your letter further alleges that Ameritech has recently changed its position and has withdrawn its offer to provide unbundled "common transport." To prove its point, AT&T attaches language from the testimony of one of Ameritech's witnesses filed in August in the Michigan arbitration, and from a preliminary draft of the joint interconnection agreement.

AT&T's correspondence, ex parte and court filings on this issue this month have used a variety of terms to describe what it is seeking. At various times, AT&T has stated that it is asking for "shared transport", "common transport", "shared/common transport", "shared (i.e.: common) transport" and "switched transport service in Ameritech FCC Tariff No. 2, Section 6.1.3 and 6.9.1". Under the tariff AT&T cites, four different forms of transport are available: entrance facilities, direct transport service, dedicated signaling transport, and tandem switched transport. The first three forms of transport involve dedicated facilities which Ameritech has always been willing to provide to AT&T on an unbundled basis, and AT&T need merely order them by specifying the specific routes it desires and the capacity it seeks (e.g.: DS-1, DS-3, voice grade). For that reason, it appears that what AT&T must be seeking is the functional equivalent of tandem switched transport. None the less, AT&T itself has admitted in its January 29, 1997 Ex Parte to the FCC that "[u]nbundling requires that charges for unbundled transport cannot include charges for switching". Since tandem switched transport includes "charges for switching" it appears that even AT&T concedes that it is not unbundled transport. We need you to confirm our understanding of your position.

I will first address your contention that AT&T is entitled to order "common transport" as a network element under the joint interconnection agreements in Illinois and Michigan. Contrary to AT&T's contention, the joint interconnection agreements do not provide for the provision of "common transport" as a network element, but are specifically limited to offering unbundled dedicated and shared transport.

January 31, 1997

Page 2

As you point out, the August 1996 working draft of the joint interconnection agreement and the testimony filed by Ameritech's witness Mr. Dunny in Michigan in August of 1996 in the arbitration proceeding inadvertently used the term "common transport" to describe shared transport. However, your position ignores the fact that Mr. Mayer's testimony filed at the same time in the Michigan arbitration at pages 39-40 makes it very clear that Ameritech was not offering "common transport" as now defined by AT&T as an unbundled network element.

Your position also ignores the fact that erroneous use of the term "common transport" was quickly corrected in Ameritech's next draft of the interconnection agreement filed with the Proposed Decision of Arbitration Panel ("PDAP"), and in later versions of Mr. Dunny's testimony filed in the Illinois arbitration, and also in the Indiana, Ohio and Wisconsin arbitrations.

In mid-September of 1996, Ameritech proposed corrections to the working drafts of the joint interconnection agreements that deleted any reference to "common transport" and substituted in their place the term "shared transport." To avoid any further confusion, Ameritech also proposed that the term "shared transport" be specifically defined as "a billing arrangement where two (2) or more carriers share the features, functions and capabilities of the transmission facilities between the same types of locations as described for dedicated transport..." Schedule 9.2.4 1.3. Ameritech also proposed that the prices for transport in the agreement be revised to reflect rates that are consistent with the offer of dedicated and shared transport, as defined in the agreement. For your convenience, I have enclosed copies of the pages of the September, 1996 "red line" drafts of the Illinois and Michigan agreements that document the above proposed changes.

Even though AT&T was aware that Ameritech was not offering "common transport" as a network element, AT&T nevertheless agreed to the changes in the language in the draft of the joint interconnection agreement filed in the joint submission, filed in Michigan and Illinois in early October of 1996. I have enclosed copies of the pertinent portions of the joint agreements that document AT&T's acceptance of these revisions. The joint interconnection agreements in both Illinois and Michigan are consistent with the above. They further define the operator services and directory assistance platform in Schedule 9.3.4 of the agreements and specify that it may be ordered with "dedicated transport" or "shared transport." No provision is made for ordering "common transport" in conjunction with the OS/DA platform.

The above described language on shared transport and the OS/DA platform remained in the agreements that were approved in Illinois and filed with the Commission in Michigan. Further, shared or common transport was not an issue on which the Michigan Public Service Commission ordered the parties to negotiate further.

Turning to your claim that Ameritech is changing its position, I believe that the above facts clearly demonstrate that you are mistaken, and that it is AT&T that is changing its position after the fact.

Ameritech's opposition to the concept that carriers could purchase a service such as "common transport" or otherwise obtain undifferentiated usage on its public switched network as a network element is not new. In fact, Ameritech has consistently opposed offering as a network element any arrangement that does not involve a facility, function, or etc., that is dedicated to the requesting carrier or carriers, or that simply duplicates an existing access and retail service. This position was reflected in Ameritech's comments and reply comments filed in the FCC's Interconnection Docket 96-98 in April and May of last year.